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CORRESPONDENCE MEMORANDUM

DATE: October 20, 2010
TO: Wisconsin Deferred Compensation Board
FROM: Jon Kranz, Budget Director
Shelly Schueller, Deferred Compensation Director
SUBJECT: Contracting for Administrative Services Contract Compliance Audits

Staff recommends the Board delegate authority to the Department to develop and release a Request for Bid (RFB) for contract compliance audits of the Deferred Compensation Board's administrative services agreement with the third party administrator. Staff also recommends the Board delegate review and approval authority for the release of the RFB to the Board Chair.

This memo provides background information for a Board discussion on managing the process for future Wisconsin Deferred Compensation Program (WDC) contract compliance audits. Staff proposes the following motions for Board consideration:

- Authorize Department staff to develop and release a contract compliance audit RFB. The result would be a contract for three compliance audits. Staff recommends audits in calendar years 2011, 2013 and 2015.
- Delegate review and approval of the contract compliance audit RFB and subsequent contract to the Board Chair. Approval of this motion would help ensure timely development and issuance of the RFB. The Board would retain final approval of any audit contract.

Contract compliance audits are used to evaluate and report on a third party administrator's (TPA) management of the WDC, the TPA's compliance with administrative services agreement terms and conditions, and the TPA's compliance with applicable state and federal statutes, rules and regulations. Contract compliance audits are performed to assure the Board, the Department, employers and participants that the WDC is administered effectively, efficiently and economically.

Reviewed and approved by Jean Gilding, Administrator, Division of Retirement Services.

Signature

Date

Board	Mtg Date	Item #
DC	11.16.10	11

In late 2006, the Board authorized a Request for Proposal for contract compliance audits. This resulted in a Board contract with Wipfli, LLP, for contract compliance audits of Great-West Retirement Services' (GWRS) performance during calendar years 2007 and 2009. The results of these Wipfli audits indicated that GWRS was in overall compliance with the requirements of the administrative services agreement. However, the audits also highlighted several areas in which either GWRS could improve performance or the administrative services agreement should be clarified so expectations are understood. Accordingly, staff has worked to implement these recommendations, which include specifying that GWRS is to establish participant accounts within five working days of receipt and indicating that GWRS is to transmit participant deferral information to the participant's employer on the next scheduled transmission date for that employer.

The Department believes an RFB would be an effective way to secure the services of a competent auditing firm. Under the RFB process, the lowest-cost responsible bidder that passes all of the mandatory requirements will be awarded the contract. Department staff believes that a competitive RFB is appropriate; the experience and knowledge required by firms that can successfully complete a contract compliance audit is very specific and an RFB would provide the best value.

The Department recommends the Board consider authorizing an RFB for additional contract compliance audits. The RFB should request responses for services associated with at least three contract compliance audits during the current administrative services agreement term, which runs from December 1, 2010 through November 30, 2015¹. Staff recommends contract compliance audits for calendar years 2011, 2013 and 2015. As in the past, data from compliance audits will provide information to the Board regarding the services provided by GWRS, prior to any potential future administrative services agreement extension discussions.

Staff will be available at the meeting to discuss this memo and answer any questions you may have regarding contract compliance audits.

¹ The administrative services agreement that extended GWRS' contract as of December 1, 2010 includes two one-year automatic renewals. If this provision functions as anticipated, the administrative services agreement will be in effect through November 30, 2017.